



June 4, 2013

The Honorable Kevin Brady
Chairman
House Ways & Means Health Subcommittee
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Jim McDermott
Ranking Member
House Ways & Means Health Subcommittee
1102 Longworth House Office Building
Washington, DC 20515

submitted electronically

Dear Representatives Brady and McDermott and Members of the Subcommittee:

The Partnership for the Future of Medicare (PFM) submits for the record the following statement on comprehensive Medicare reform as part of the Committee's May 21, 2013, hearing on Medicare proposals that modify beneficiary cost-sharing. We would like to thank the Committee for holding this series of hearings to explore bi-partisan Medicare reform proposals, and we appreciate the opportunity to share our thoughts on how to move the Medicare program forward to encourage high-quality, cost-effective care. We would be happy to discuss our ideas with you or come before the Committee to do so.

PFM is a bi-partisan organization focused on ensuring the long-term security of Medicare. By examining key challenges, highlighting best practices and evaluating innovations in Medicare health care delivery, we seek to foster innovation and support approaches that positively shape the future of Medicare.

We thank the Committee for holding this important hearing to examine Medicare proposals included in the President's 2014 budget, as well as those put forward by other stakeholders. We are encouraged by the number of bi-partisan Medicare reform proposals released in recent months and are pleased that Medicare reform has risen to the top of our national health care conversation.

As you know, as it stands today, Medicare is unsustainable. The Medicare population has transformed dramatically since 1965, yet the program has not adapted to these new developments – changes that include an aging population and a rapidly rising chronic disease rate. No matter how we shift costs or cut reimbursement rates, nothing will change the fact that the Medicare program is going to see millions of new beneficiaries, which equates to program costs growing exponentially over the coming decades. High costs in the health care system heavily outweigh the quality of services provided, and these expenses continue to grow. Our health care system is changing and requires us to rethink how we deliver care. The idea of focusing on value-based rather than volume-based health care has garnered strong bi-partisan support and has the potential to set the stage for an innovative, high-quality Medicare system.

Our current Medicare delivery system is fundamentally flawed – it pays for volume, rather than high-quality care. Medicare as we know it today is built on a fee-for-service (FFS) system, in which Medicare pays doctors individual fees for each service they perform – such as diagnostic tests and procedures or exams. By paying providers for each service they deliver, the program provides financial incentives to physicians to perform more tests and procedures, or to take on more office visits, because each service is paid for separately. Though Medicare beneficiaries have some input on their health care coverage, 75 percent of beneficiaries currently receive at least part of their coverage through original FFS Medicare. It's clear that there is great need for coordinated care that rewards quality, rather than quantity. We believe that we must move away from the FFS model to facilitate better, high-quality care.

PFM believes that the FFS model should be phased out over the next five to seven years. Our entire system is currently built around FFS, and updating the Medicare delivery structure will pave the way for innovative, high-quality care. Moving away from FFS will not be easy and will not happen overnight, but advancing these objectives will pave the way for a more efficient and effective Medicare system. To move away from FFS, we recommend that policymakers look at three specific categories when considering changes to the current Medicare system: payments, incentives and scaling.

Payments. The way Medicare pays providers needs to be reformed to guarantee that each beneficiary receives the best care. FFS essentially operates as a one-size-fits-all model, and it is a challenge for providers to give each beneficiary individualized and effective treatment. To resolve this problem, we must move away from our current FFS model to pave the way for more care coordination and patient engagement. Because we know transitioning away from FFS will take time, we recommend transitional steps to help improve payments and, ultimately, quality of care, such as updating and enhancing the physician fee schedule and repealing and replacing the sustainable growth rate (SGR).

Incentives. To support any adjustments in physician payments, it is vital that we incentivize efforts that provide high-quality and cost-effective care to beneficiaries. Using patient engagement metrics, enhancing transparency and use of public data and expanding existing rating, bonus and incentive programs are some types of incentive tactics we encourage policymakers to adopt in any plan for Medicare overhaul. These types of incentive programs are vital to shift away from FFS toward more value-based care.

Scaling. Despite the significant barriers the Medicare program faces due to the longstanding structure of traditional FFS, there have been significant efforts within the private and public sector to develop and execute programs to test potential delivery and payment models. To expand successful integrated care models, we must support information-sharing and data transfer to share best practices. We encourage policymakers to implement policy options that provide comprehensive care management access to all Medicare beneficiaries, launch targeted demonstration pilots to specific subsets of the population, such as those with chronic disease, and retest successful programs on a larger scale. We believe encouraging scaling of successful payment models is the key to revolutionizing the Medicare program.

Once again, PFM is encouraged by the widespread bi-partisan agreement that we must take action and reform Medicare. Though moving the Medicare program away from FFS will be difficult, we are confident that by working together, we can move the system forward to guarantee better and more efficient care for all.

Thank you again for the opportunity to submit this statement for the record. Questions may be addressed to Douglas Holtz-Eakin at doug@futureofmedicare.org or 202-559-6420 or Kenneth Thorpe at ken@futureofmedicare.org.

Sincerely,

/s/

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/s/

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